



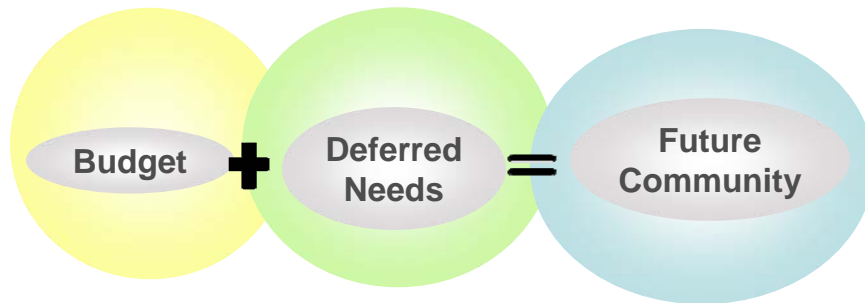
Fiscal Year 2011 Overview of City Manager's Recommended Budget

Mayor and Council
May 4, 2010

Global Recession: Local Economic Statistics

	<u>CY 2006</u>	<u>CY 2009</u>
• Residential Permits	2,861	656
• Foreclosures (Pima County)	3,469	18,010
	<u>FY 2007</u>	<u>Est'd. FY 2010</u>
• Unemployment	4.5%	9.1%
• Local sales tax	\$202.3M	\$159.0M
• Transient occupancy (bed) tax	\$10.9M	\$7.9M

Stabilizing Our Community



Addressing the Budget and Deferred Needs are essential for meeting future community needs. The budget has been cut to the point that it cannot address deferred needs that impact core services operations and quality of life.

3

Unrestricted Fund Balance Estimated FYE 2010

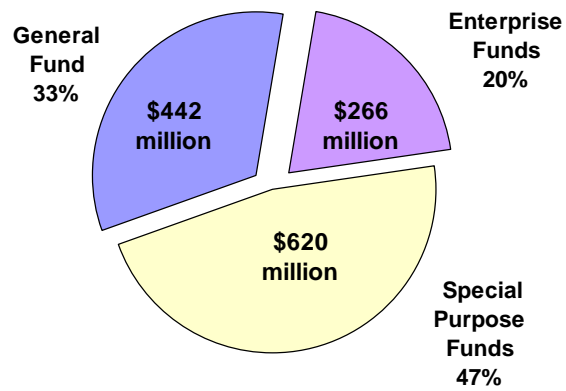
FY 2009 Ending Balance	\$17.0 million
Projected FY 2010 Use	<u>(1.3) million</u>
FY 2010 Estimated Balance	\$15.7 million

Equals 3.9% of FY 2011 recommended budget expenditures (excluding operating transfers)

On 3/23/10, Mayor and Council directed that the \$5.3 million net proceeds from the Grace legal settlement be placed in the unrestricted fund balance upon receipt. This amount has not been included in the estimated balance

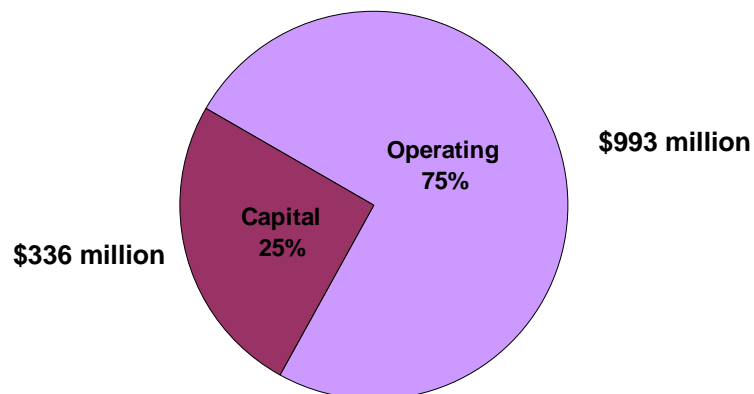
4

Recommended Citywide Revenues: \$1.329 billion



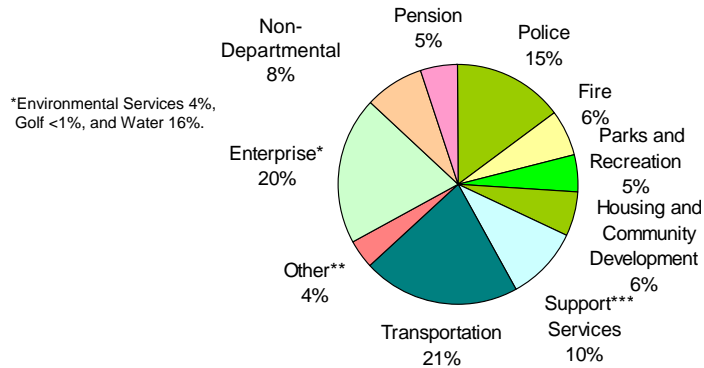
5

Recommended Citywide Budget: \$1.329 billion



6

Recommended Citywide Expenditures: \$1.329 Billion



**Mayor and Council, City Clerk, City Manager's Office, City Attorney, City Court, Equal Opportunity Programs and Independent Police Review, Public Defender, ParkWise, Planning and Development Services, and Tucson Convention Center.

***Budget and Internal Audit, Finance, General Services, Human Resources, Information Technology, and Procurement.

7

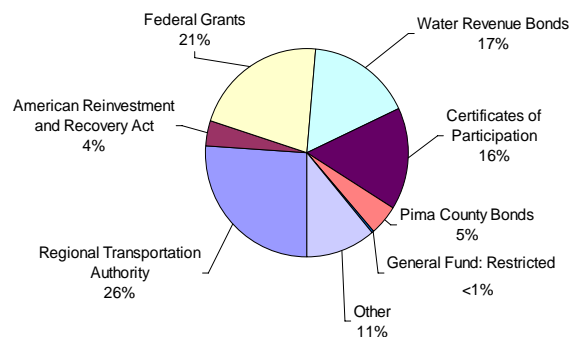
Capital Improvement Program (CIP)

Five Year Total - \$1.1 Billion

FY 2011 Total - \$336.3 Million

- Carryforward from FY 2010 - \$87.5 Million
- New FY 2011 Funding - \$248.8 Million

Source of Funds - FY 2011



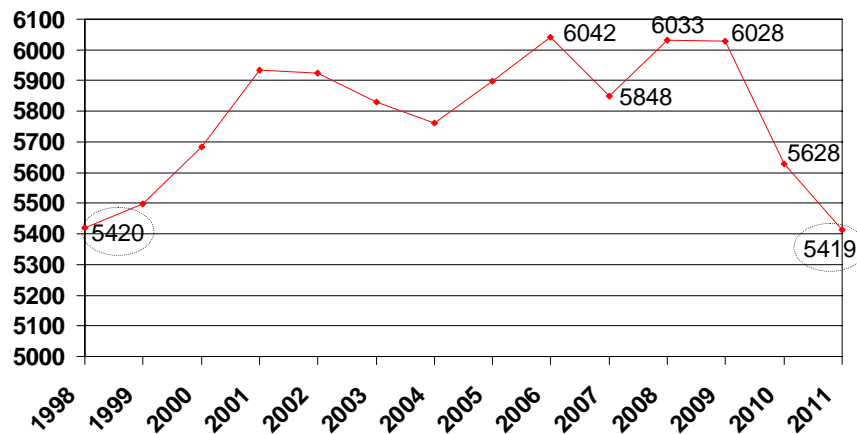
8

CIP Fiscal Year 2011 Highlights

- Police Crime Lab Completion - \$34.3 Million
- Martin Luther King Apartments Completion - \$4.2 Million
- 20 Miles of Road Repavement (stimulus funds) - \$10.9 Million
- Plaza Centro Parking Garage – \$5.6 Million
- Modern Streetcar - \$31.5 Million
- Lincoln Park Sports Fields Completion - \$3.4 Million
- Potable Water System - \$68 Million

9

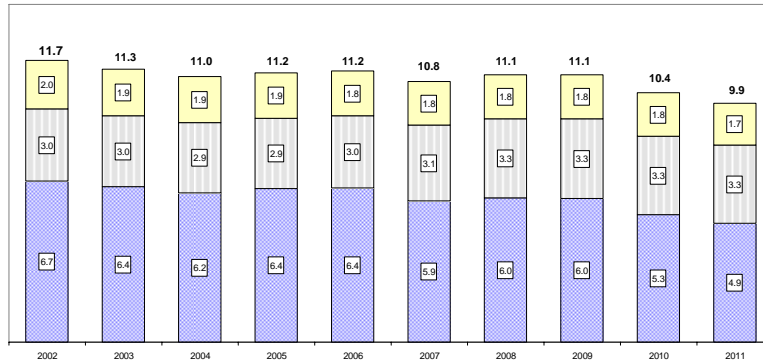
Staffing Comparison Citywide FYs 1998 - 2011



10

Number of City Employees per 1,000 Population

■ Other* □ Commissioned Public Safety Personnel** ■ Enterprise Positions***



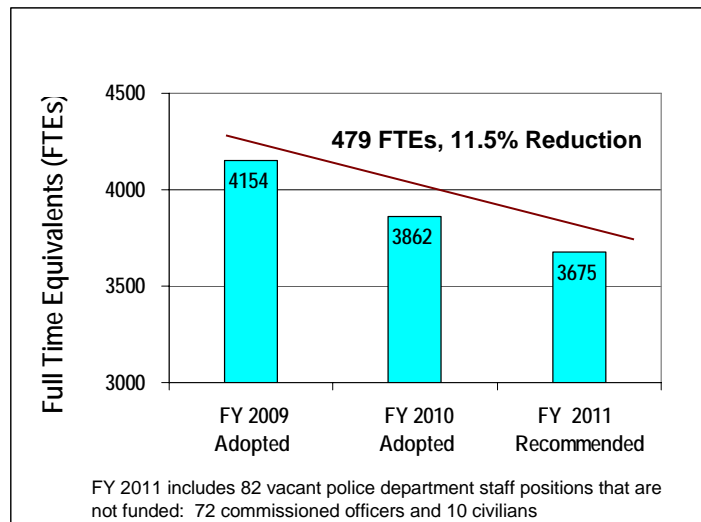
*In Fiscal Year 2007, Library staff was transferred to Pima County.

**Fire and Police personnel.

***Includes Environmental Services, Golf, and Tucson Water. Beginning in Fiscal Year 2005, Environmental Services became an enterprise department; prior year data has been revised for consistency.

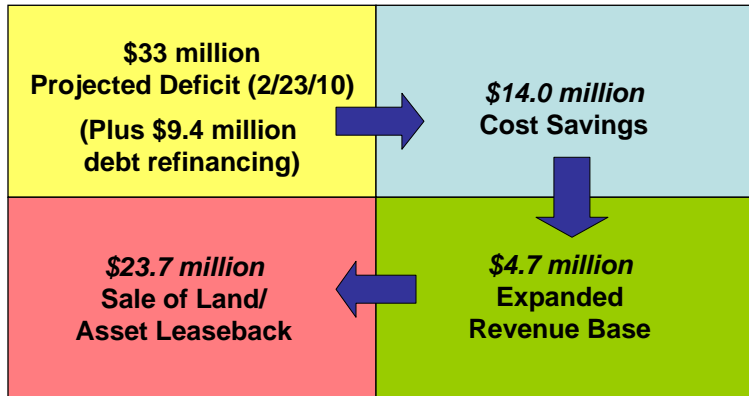
11

GENERAL FUND STAFFING



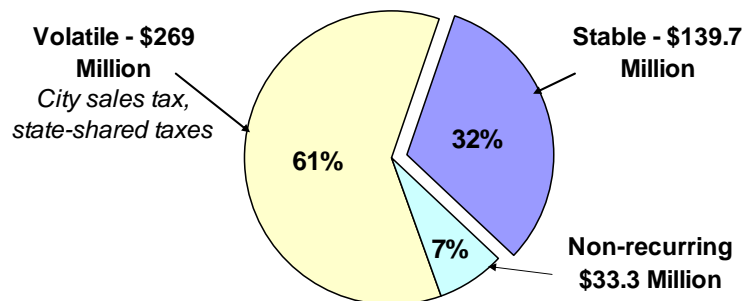
12

Fiscal Year 2011 General Fund Balancing



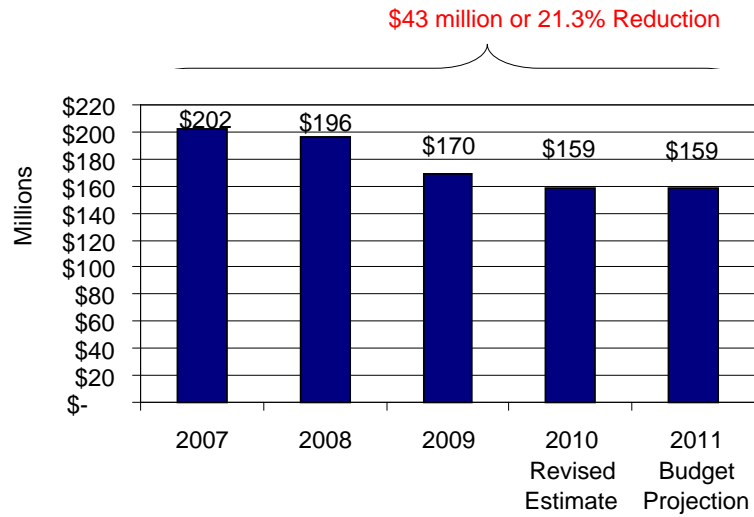
13

General Fund Revenues Recommended \$442 Million



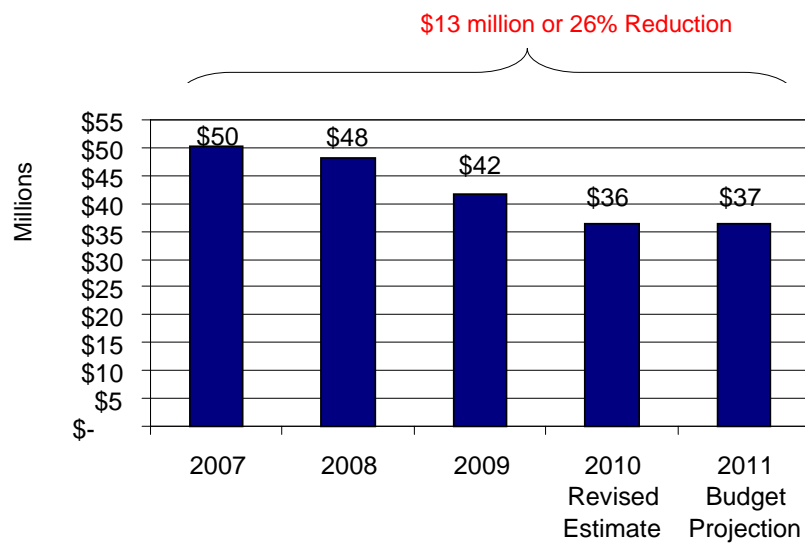
14

Local Sales Tax Revenues



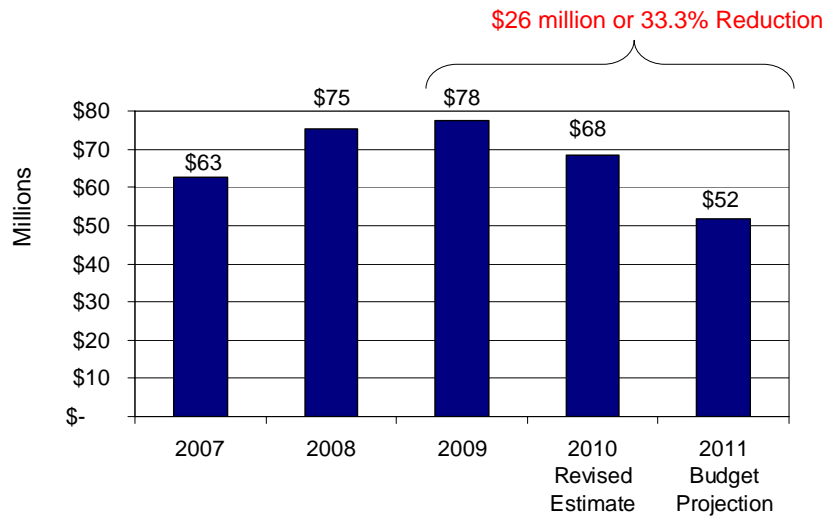
15

State Shared Sales Tax Revenues



16

State Shared Income Tax Revenues



17

General Fund Recommended Revenue Highlights

- BOBS revenue or fee increases - \$3.2 million
 - In-lieu of Property Tax on Tucson Water- \$1.6 million
 - Malicious Criminal Offense Cost Recovery - \$300,000
 - Towed and Impounded Vehicle Fees - \$300,000
 - Photo Enforcement Program Expansion (covers operational costs) - \$1 million
- Local Sales (Business Privilege) Tax - \$159 million
 - In alignment with FY 2010 Adopted
- State Shared Taxes - \$110 million
 - sales, income, and auto lieu
 - 16% reduction from Adopted FY 2010 primarily due to income taxes

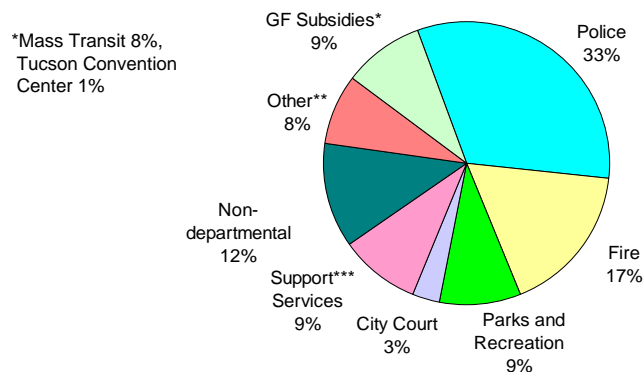
18

General Fund Recommended Revenue Highlights (continued)

- Charges for Services - \$46.6 million
 - \$9.1 million increase from FY 2010 Adopted; primarily Parks fees and Fire ALS charges
- Other Funding Sources (one-time) - \$33.3 million
 - \$9.5 million: debt restructuring (FYs 2009-2011)
 - \$23.8 million: sale and asset leaseback financing
- Local Transit Assistance Fund (LTAF)
 - \$3.25 million loss of lottery funding from State

19

General Fund Expenditures \$442 Million



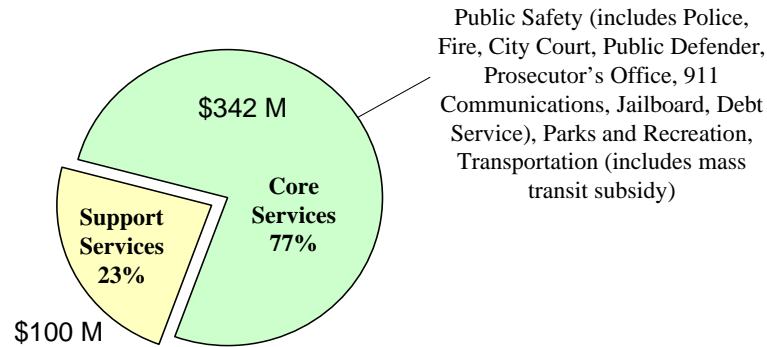
*Mass Transit 8%,
Tucson Convention
Center 1%

**Mayor and Council, City Clerk, City Manager's Office, City Attorney, Equal Opportunity Programs and Independent Police Review, Housing and Community Development, Public Defender, Planning and Development Services, and Transportation

***Budget and Internal Audit, Finance, General Services, Human Resources, Information Technology, and Procurement

20

Core and Support Services Fiscal Year 2011 General Fund \$442 Million



21

Expenditure Reductions FYs 2009 through 2011

- Elimination of 479 General Fund Positions (187 between FYs 10 and 11)
- Employee Layoffs and Reduced Compensation (furlough days; increased public safety pension contribution; increased medical premium costs)
- Suspension of Residential Street Paving; Reduced Roadway Maintenance (i.e. potholes)
- Debt restructuring
- Suspension of Back to Basics and Youth funding
- Closure of 17 summer-session Swimming Pools and 4 pools in Winter; Decrease in Leisure Classes and Elimination of Teens Program and Most Adult Sports Programs
- Reduction in Neighborhood Center Hours; Closure of Ormsby Neighborhood Center
- Reduced Prosecution of Graffiti, Prostitution, Criminal Nuisance
- Deferred Infrastructure Replacement and Maintenance Streets, Facilities, Vehicles, Equipment, and Technology
- Reduction in Outside Agencies Funding (20-60% in FY 2010)
- Reduced Neighborhood Mailings and Support

22

General Fund Recommended Expenditures Highlights

- BOBS Cost Savings: \$8.5 million
 - Graffiti abatement - \$600,000
 - Reduction of community event support - \$178,160
 - Transfer low income program to utilities - \$1 million
 - Zero Based Line Item Reductions (memberships, travel, training, consultants, professional services) - \$6.7 million
- Employee salary/benefits adjustments
 - Cost Savings
 - Furloughs (3.5% base salary reduction), increased medical insurance premiums
 - Reduction of vacant positions and layoffs
 - Cost and Contribution Rate Increases
 - Medical insurance premiums
 - Civilian and public safety pension contributions, public liability, workers' compensation, unemployment insurance

23

General Fund Recommended Expenditures Highlights (continued)

- Mass Transit Subsidy - \$35.25 million
 - Increased by \$3.25 million to cover loss of Local Transportation Assistance Funding (LTAF) from state
- Outside Agencies - \$9 million (same as FY 10 revised)
 - Arts and Cultural Enrichment - \$442,350
 - Civic/Special Community Events - \$84,210
 - Economic and Workforce Development - \$4,331,160
 - Human Services - \$1,613,340
 - Payments to Other Governments - \$2,225,420
 - Other - \$391,910
- Debt Service
 - Increased by \$1.1 million (COPS increase offset by leases decrease)

24

Employee Furloughs or Salary Reductions: Survey of Local Jurisdictions

	<u>FY 2010</u>	<u>FY 2011</u>
Marana	voluntary furloughs	NO
Oro Valley	NO	NO
Sahuarita	NO	NO
South Tucson	NO	NO
Pima County	NO	NO
<i>Tucson</i>	<i>YES</i>	<i>YES</i>

25

Future Bond Ratings' Considerations

- Pros
 - Implementation of mid FY 2010 expenditure reductions to address projected revenue shortfalls
 - Revenue increases were implemented in FY 2010 & FY 2011 which helps to diversify the revenue base of the General Fund
 - Collections of major revenue sources appear to have stabilized
 - Balanced FY 2011 Recommended Budget
 - No Programmed Use of Reserves
 - Mayor and Council designation of future settlement proceeds to go to reserves
 - Rating fundamentals remain solid
- Cons
 - Continued use of one-time revenue sources
 - Reserves at lower level than Mayor and Council policy

26

Projected Fiscal Year 2012 Structural Deficit

One time funding sources used to balance
FY 2011 budget:

\$ 9.4 million - debt restructuring

23.7 million - sale and asset leaseback

\$33.1 million

Does not include deferred replacement and maintenance needs.

27

Upcoming Budget Meetings

May 11	Public Hearing on Recommended Budget
May 18	Core Services, Outside Agencies, Debt Service
May 25	Support Services, Line-Item Expenditures
June 8	Tentative Adoption, Truth in Taxation Public Hearing
June 15	Public Hearing on Tentative Adoption and Special Meeting to Adopt Budget
June 22	Adoption of Fiscal Year 2011 Property Tax Rates

28

Questions?

Further Direction Regarding
5/18 and 5/25 Discussions?

29